

MATERIALS

used by

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in the

PRESENTATION GIVEN

to

CONGRESSIONAL LEADERS AND CABINET OFFICIALS

on

THE BUDGET OUTLOOK FOR 1981

MAY 2, 1977

The Charts attached depict the economic assumptions underlying the budget projections to fiscal year 1981.

The economy is assumed to grow strongly over the next four years. Real output is projected to increase at an average annual rate of somewhat more than 5 percent. This rate of growth would create almost 10 million new jobs, reduce the unemployment rate to about 4-3/4 percent, and bring real output back to its potential level by 1981. We have also set for ourselves the objective of reducing the rate of inflation to about 4 percent -- from 6 to 6-1/2 percent at present.

If a balanced budget is to be achieved by 1981, growth of Federal expenditures will have to be very limited. Also, expenditures of State and local governments are likely to be a less important source of stimulus to economic expansion than they have been over the past decade, because of changes in population growth and age structure. Achieving our growth objectives thus requires a strong expansion in the private economy.

The third and fourth charts indicate the performance required in the consumer and business sectors to achieve our economic goals. Consumers would need to spend about 93-1/2 to 94 percent of their after-tax incomes on goods and services, and business capital outlays (adjusted for inflation) would need to rise at an average annual rate of 9 to 10 percent.

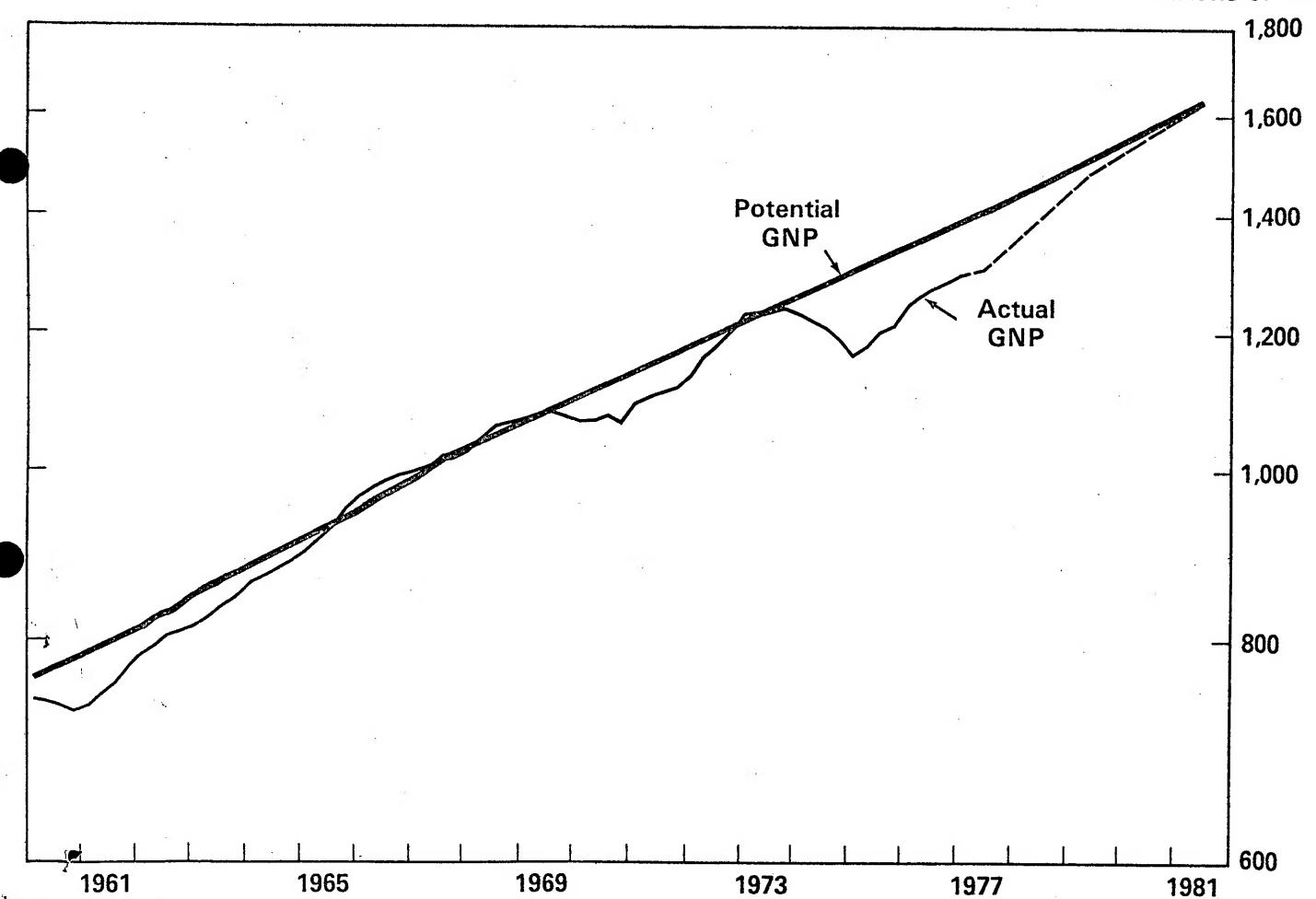
ECONOMIC GOALS

	<u>1977</u>	<u>1981</u>	<u>Change</u>
Real GNP (Billions of 1977 \$)	1,877	2,298	+ 22% (5.2% per year)
Total Employment (Millions)	89.9	99.6	+ 9.7 millions
Unemployment Rate (Percent)	7	4 $\frac{3}{4}$	
Per Capita Real Income After Taxes (1977 \$)	6,000	7,000	+ 17% (3.9% per year)
Inflation Rate (Percent)	6 to 6 $\frac{1}{2}$	4	

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REAL GNP (Actual and Potential)

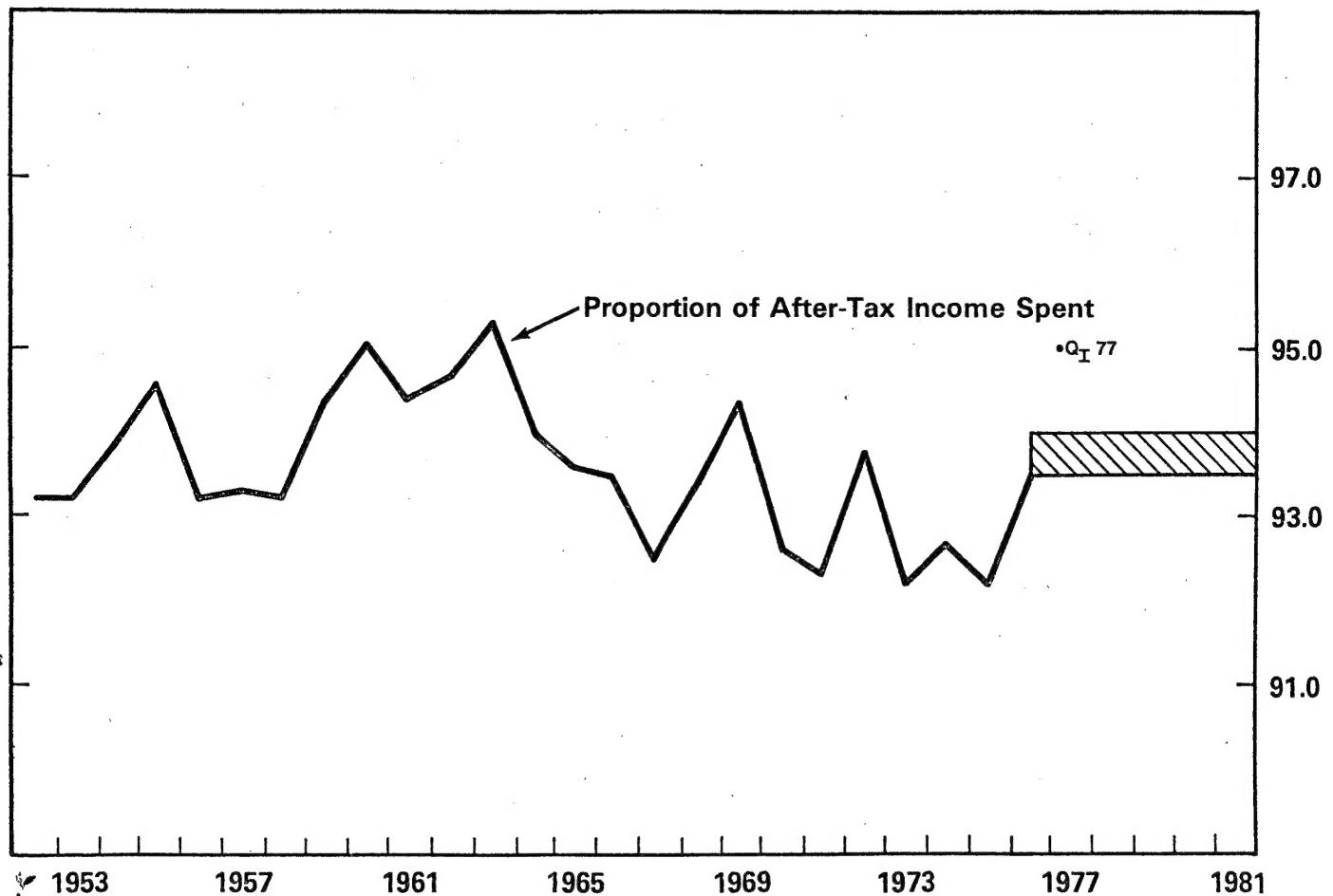
Ratio Scale
Billions of 1972 \$



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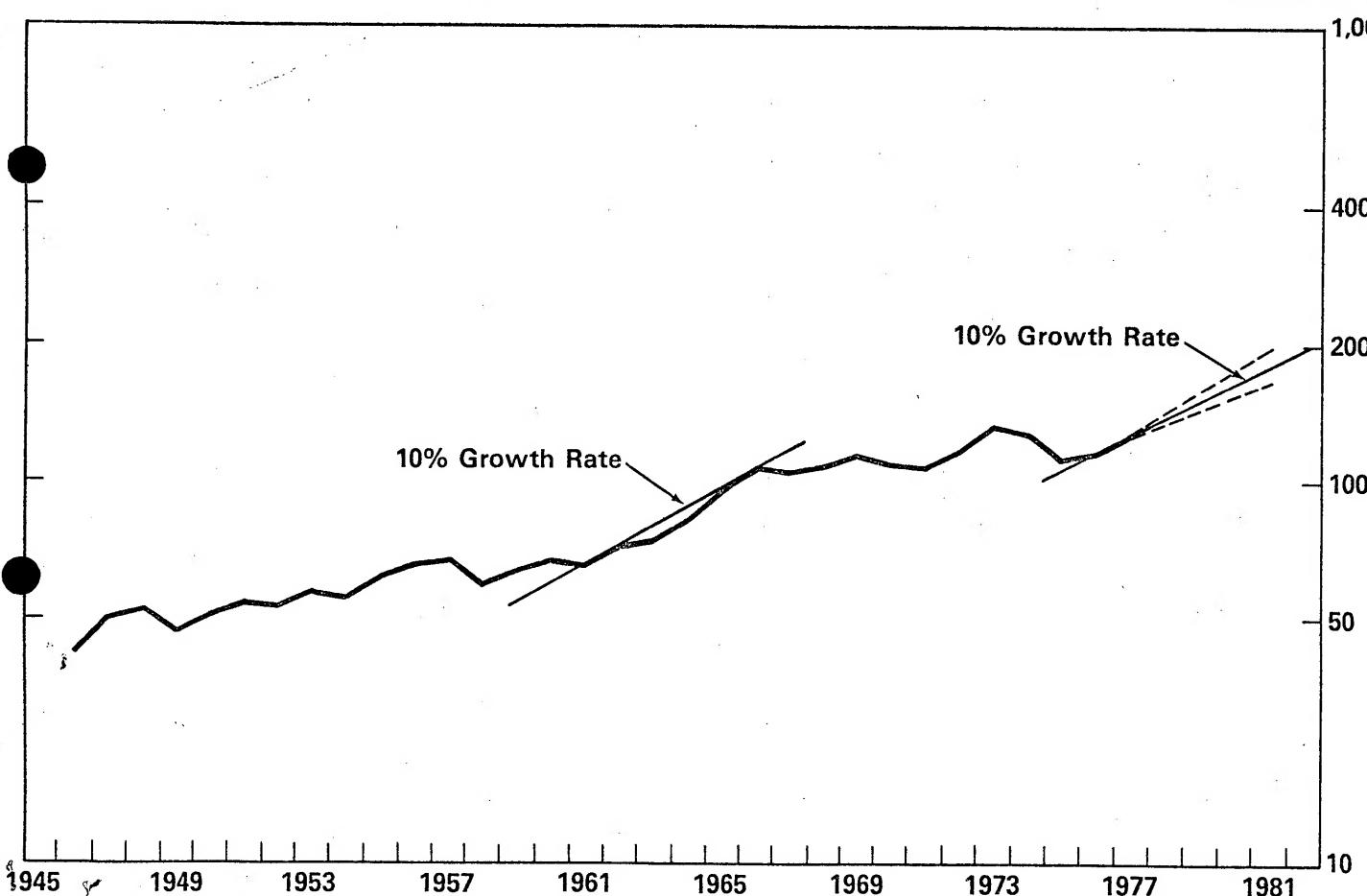
CONSUMER SPENDING RATE

Percent



BUSINESS CAPITAL OUTLAYS

Ratio Scale
Billions of 1972 \$



STAT